

VILLAGE OF TURNER
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Turner	County Arenac
Audit Date December 31, 2005	Opinion Date May 22, 2006	Date Accountant Report Submitted to State: June 28, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

VILLAGE OF TURNER
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 22, 2006

To the Village Council
Village of Turner
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Turner, Arenac County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Turner's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Turner, Arenac County, Michigan as of December 31, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF TURNER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2005

The Management's Discussion and Analysis report of the Village of Turner covers the Village's financial performance during the year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$68,611.75 from governmental activities with a \$15,257.93 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole. The statement of net assets includes all the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Village are reported as governmental activities. These include the General Fund, Major Street Fund, and the Local Street Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund pays for most of the Village's governmental services. The most significant are public works which incurred expenses of \$23,220.77.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$0 in capital assets.

The Village's governmental activities paid \$0 in principal on long-term debt.

VILLAGE OF TURNER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2005

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Villages finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village by calling Yolanda Miracle, Clerk, at (989) 867-4274 during the hours of 9:00 A.M. to 5:00 P.M., Monday thru Friday.

VILLAGE OF TURNER
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	8 358 94
Due from State of Michigan	4 172 21
Taxes receivable	<u>4 636 37</u>
Total Current Assets	<u>17 167 52</u>
NON-CURRENT ASSETS:	
Capital Assets	109 300 00
Less: Accumulated Depreciation	<u>(44 757 00)</u>
Net capital assets	<u>64 543 00</u>
TOTAL ASSETS	<u><u>81 710 52</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	64 543 00
Unrestricted	<u>17 167 52</u>
Total Net Assets	<u>81 710 52</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>81 710 52</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2005

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 682 62	-	(3 682 62)
General government	13 241 06	-	(13 241 06)
Public works	<u>61 946 00</u>	<u>4 000 00</u>	<u>(57 946 00)</u>
Total Governmental Activities	<u>78 869 68</u>	<u>4 000 00</u>	<u>(74 869 68)</u>
General Revenues:			
Property taxes			16 273 58
State revenue sharing			43 105 71
Interest			6 78
Miscellaneous			<u>225 68</u>
Total General Revenues			<u>59 611 75</u>
Change in net assets			(15 257 93)
Net assets, beginning of year			<u>96 968 45</u>
Net Assets, End of Year			<u>81 710 52</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	5 262 99	1 976 81	1 119 14	8 358 94
Due from State of Michigan	-	2 847 90	1 324 31	4 172 21
Taxes receivable	<u>4 636 37</u>	<u>-</u>	<u>-</u>	<u>4 638 37</u>
Total Assets	<u>9 899 36</u>	<u>4 824 71</u>	<u>2 443 45</u>	<u>17 167 52</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>9 899 36</u>	<u>4 824 71</u>	<u>2 443 45</u>	<u>17 167 52</u>
Total fund equity	<u>9 899 36</u>	<u>4 824 71</u>	<u>2 443 45</u>	<u>17 167 52</u>
Total Liabilities and Fund Equity	<u>9 899 36</u>	<u>4 824 71</u>	<u>2 443 45</u>	<u>17 167 52</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	17 167 52
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	109 300 00
Accumulated depreciation	<u>(44 757 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>81 710 52</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended December 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	16 273 58	-	-	16 273 58
State revenue sharing	15 986 00	18 512 19	8 607 52	43 105 71
Interest	-	4 75	2 03	6 78
Rents	4 000 00	-	-	4 000 00
Miscellaneous	225 68	-	-	225 68
Total revenues	<u>36 485 26</u>	<u>18 516 94</u>	<u>8 609 55</u>	<u>63 611 75</u>
Expenditures:				
Legislative:				
Village Council	3 304 10	-	-	57 550 92
President	378 52	-	-	378 52
General government:				
Clerk	3 514 47	-	-	3 514 47
Treasurer	701 45	-	-	701 45
Building and Grounds	3 590 35	-	-	3 590 35
Unallocated	2 934 49	-	-	2 934 49
Public works:				
Department of Public Works	15 250 00	-	-	15 250 00
Highways and Streets:				
Routine Maintenance	-	20 457 48	7 658 49	28 115 97
Snow removal	-	6 408 26	2 500 00	8 908 26
Street Lights	2 783 10	-	-	2 783 10
Sanitation	5 187 67	-	-	5 187 67
Total expenditures	<u>37 644 45</u>	<u>26 865 74</u>	<u>10 158 49</u>	<u>128 915 20</u>
Excess (deficiency) of revenues over expenditures	(1 159 19)	(8 348 80)	(1 548 94)	(11 056 93)
Fund balance, January 1	<u>11 058 55</u>	<u>13 173 51</u>	<u>3 992 39</u>	<u>28 224 45</u>
Fund Balance, December 31	<u>9 899 36</u>	<u>4 824 71</u>	<u>2 443 45</u>	<u>17 167 52</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (11 056 93)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(4 201 00)
Capital Outlay Additions	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(15 257 93)</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Turner, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Turner. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Village 2005 tax roll millage rate was 13.00 mills, and the taxable value was \$1,251,853.00.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-40 years
Equipment	10-30 years

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Accounting Change

Effective January 1, 2005, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- And Management's Discussion and Analysis- for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$64,543.00.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>8 358 94</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	8 359 45
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>8 359 45</u>

The Village of Turner did not have any investments as of December 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 1/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/05</u>
Land	6 500 00	-	-	6 500 00
Buildings	76 000 00	-	-	76 000 00
Equipment	<u>26 800 00</u>	<u>-</u>	<u>-</u>	<u>26 800 00</u>
Total	109 300 00	-	-	109 300 00
Accumulated Depreciation	<u>(40 556 00)</u>	<u>(4 201 00)</u>	<u>-</u>	<u>(44 757 00)</u>
Net Capital Assets	<u>68 744 00</u>	<u>(4 201 00)</u>	<u>-</u>	<u>64 543 00</u>

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Retirement Plan

The Village does not have a retirement plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Budget Variances

During the fiscal year ended December 31, 2005, the Village incurred expenditures in excess of the Budgeted amounts as follows:

<u>Fund and Activity</u>	<u>Budgeted Amount</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General Fund:			
President	150 00	378 52	228 52
Treasurer	500 00	701 75	201 75
Building and Grounds	1 300 00	3 590 35	2 290 35
Unallocated	-	2 934 49	2 934 49
Sanitation	-	5 187 67	5 187 67
Major Street Fund:			
Routine maintenance	4 000 00	20 457 48	16 457 48
Snow removal	4 800 00	6 408 76	1 608 26
Local Street Fund:			
Routine maintenance	3 750 00	7 658 49	3 908 49

VILLAGE OF TURNER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	15 000 00	15 000 00	16 273 58	1 273 58
State revenue sharing	15 000 00	15 000 00	15 986 00	986 00
Rents	4 000 00	4 000 00	4000 00	-
Miscellaneous	<u>700 00</u>	<u>700 00</u>	<u>225 68</u>	<u>(474 32)</u>
Total revenues	<u>34 700 00</u>	<u>34 700 00</u>	<u>36 485 86</u>	<u>1785 26</u>
Expenditures:				
Legislative:				
Village Council	4 430 00	4 430 00	3 304 10	(1 125 90)
President	150 00	150 00	378 52	228 52
General government:				
Clerk	4 850 00	4 850 00	3 514 47	(1 335 53)
Treasurer	500 00	500 00	701 75	201 75
Building and grounds	1 300 00	1 300 00	3 590 35	2 290 35
Unallocated	-	-	2 934 49	2 934 49
Public works:				
Department of Public Works	21 500 00	21 500 00	15 250 00	(6 250 00)
Street lights	3 000 00	3 000 00	2 783 10	(216 90)
Sanitation	<u>-</u>	<u>-</u>	<u>5 187 67</u>	<u>5 187 67</u>
Total expenditures	<u>35 730 00</u>	<u>35 730 00</u>	<u>37 644 45</u>	<u>1 914 45</u>
Excess (deficiency) of revenues over expenditures	(1 030 00)	(1 030 00)	(1 159 19)	(129 19)
Fund balance, January 1	<u>3 000 00</u>	<u>3 000 00</u>	<u>11 058 55</u>	<u>8 058 55</u>
Fund Balance, December 31	<u><u>1 970 00</u></u>	<u><u>1 970 00</u></u>	<u><u>9 899 36</u></u>	<u><u>7 929 36</u></u>

VILLAGE OF TURNER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	16 535 00	16 535 00	18 512 19	1 977 19
Interest	-	-	4 75	4 75
Total revenues	<u>16 535 00</u>	<u>16 535 00</u>	<u>18 516 94</u>	<u>1 981 94</u>
Expenditures:				
Public works:				
Highways and streets:				
Routine maintenance	4 000 00	4 000 00	20 457 48	16 457 48
Snow removal	<u>4 800 00</u>	<u>4 800 00</u>	<u>6 408 86</u>	<u>1 608 26</u>
Total expenditures	<u>8 800 00</u>	<u>8 800 00</u>	<u>26 865 74</u>	<u>18 065 74</u>
Excess (deficiency) of revenues over expenditures	7 735 00	7 735 00	(8 348 80)	(16 083 80)
Fund balance, January 1	<u>10 000 00</u>	<u>10 000 00</u>	<u>13 173 51</u>	<u>3 173 51</u>
Fund Balance, December 31	<u><u>17 735 00</u></u>	<u><u>17 735 00</u></u>	<u><u>4 824 71</u></u>	<u><u>(12 910 29)</u></u>

VILLAGE OF TURNER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	8 000 00	8 000 00	8 607 52	607 52
Interest	-	-	2 03	2 03
Total revenues	<u>8 000 00</u>	<u>8 000 00</u>	<u>8 609 55</u>	<u>609 55</u>
Expenditures:				
Public works:				
Highways and streets;				
Routine Maintenance	3 500 00	3 750 00	7 658 49	3 908 49
Snow Removal	3 800 00	3 800 00	2 500 00	(1 300 00)
Total expenditures	<u>7 300 00</u>	<u>7 550 00</u>	<u>10 158 49</u>	<u>2 608 49</u>
Excess (deficiency) of revenues over expenditures	450 00	450 00	(1 548 94)	(1 998 94)
Fund balance, January 1	<u>3 000 00</u>	<u>3 000 00</u>	<u>3 992 39</u>	<u>992 39</u>
Fund Balance, December 31	<u><u>3 450 00</u></u>	<u><u>3 450 00</u></u>	<u><u>2 443 45</u></u>	<u><u>(1 006 55)</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 22, 2006

To the Village Council
Village of Turner
Arenac County, Michigan

We have audited the financial statements of the Village of Turner for the year ended December 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Turner in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Turner
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which are to be implemented over the next few years. The implementation date of this pronouncement for the Village of Turner began with the year ended December 31, 2005. The daily operations and recording transactions did not change significantly; however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated December 31, 2005.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants